APPENDIX

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

CIVIL ACTION NO. 3:CV-91-186
(Judge Kosik)

SANTANA PRODUCTS, INC.,

Plaintiff

v.

COMPRESSION PLOYMERS, INC., SANATEC INDUSTRIES, INC., DELBERT P. KEISLING, JR., ALAN P. KEISLING,

Defendants

DEFENDANTS' REPLY BRIEF IN SUPPORT OF THEIR MOTION TO CONTINUE RULE 62 STAY OF FEBRUARY 2, 1993 ORDER DIRECTING CANCELLATION OF THE REGISTERED TRADEMARK "SANATEC"

INTRODUCTION

This Court has already issued a Rule 62 stay order which prohibited the cancellation of Defendants' trademark until appellate review could be undertaken with regard to the propriety of this Honorable Court's order of cancellation. Unfortunately, when the matter was argued before a panel of the Court of Appeals for the Third Circuit, two of the three panel members concluded that the Court's review of the propriety of the granting of summary judgment was premature inasmuch as no appellate review was to be undertaken until all matters before this Honorable Court were finally resolved and a final order of judgment entered. The third panel member dissented and advocated that the order of cancellation was injunctive in nature, did substantively affect the rights of Defendants, and accordingly immediate

appellate review under 28 U.S.C. § 1292(a)(1) was both proper and necessary if any meaningful appellate relief were to exist.[1] Defendants believe that the cancellation issues it presented for review to the Court of Appeals are important and substantively affect their rights. Defendants further believe that, in failing to review the substantive issues raised in Defendants' appeal, the majority applied an incorrect standard which conflicts with the test established by the United States Supreme Court in *Carson v. American Brands, Inc.*, 450 U.S. 79, 81 (1981), which set forth the test to be used in deciding whether an immediate review of an interlocutory order is appropriate.[2]

Through this motion, Compression simply asks this Court to continue its earlier issued Rule 62 stay. On January 27, 1994, Defendants filed a Petition for Writ of Certiorari asking the United States Supreme Court to review the Court of Appeals' refusal to substantively review the order of cancellation. Naturally, that Court has not yet decided whether it will accept the appeal and review the propriety of the decision of the Court of Appeals. In any event, Defendants ask only that this Court continue to stay the cancellation until some opportunity for appellate review is available.

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[1] A copy of the majority and dissenting opinions of the Court of Appeals is attached hereto as Exhibit "A" for convenience of the Court.

[2] The *Carson* test looks to whether the "practical effect" of the order is injunctive and further looks to whether the order has serious, perhaps irreparable consequences which can only be effectually challenged if an immediate appeal and review is permitted. *See Carson, supra*, 450 U.S. at 84. Without reference to *Carson*, the Court of Appeals concluded that, because the cancellation Order was directed to the Commissioner of the Patent and Trademark Office, rather than to Defendants themselves, the subject Order was not an injunction issued against the Defendants and, therefore, not immediately appealable under 28 U.S.C. § 1292(a)(1).

ARGUMENT

I. SANTANA'S BRIEF IN OPPOSITION TO CONTINUATION OF THE RULE 62 STAY PROVIDES NO BASIS FOR REFUSING THE CONTINUATION OF THE STAY

In opposing a continuation of the Rule 62 stay, Santana makes two arguments. First, it predictably argues that this Court was correct in granting partial summary judgment. Second, it argues that there is no harm to Defendants because this Court's cancellation Order allegedly does not restrain it from doing anything and because Defendants made a business decision, subsequent to the issuance of the Order, to begin using a new mark for its products, *i.e.*, "COMTEC", until the respective issues in this litigation are fully resolved. For the reasons which follow, the arguments of Santana opposing continuation of the stay are weak and, frankly, at odds with the very arguments and positions Santana has taken throughout the litigation.

First, although this Court has concluded that cancellation of the "SANATEC" mark was proper, Defendants are certainly entitled to have an appellate court review the propriety of an order with which they respectfully disagree. However, because of the piecemeal approach which Santana took in terms of seeking a partial summary judgment only, it has been able to obtain a substantial portion of the relief sought in this litigation without ever having received a favorable judgment in relation to its remaining state and federal trademark *infringement* claims. If Defendants are to have any *meaningful* appellate review of this Court's cancellation Order, it is essential that the actual cancellation be stayed until an appellate court reviews the propriety of the cancellation. Otherwise, it may be many months, if not years, before there is an appellate determination as to whether Defendants' trademark should have been cancelled. And, if Defendants were to ultimately prevail on appeal, a favorable result at that time would not make Defendants whole.

As noted in Santana's brief in opposition, Defendants did indeed, subsequent to February 2, 1993, make an informed business and economic decision to stop using the mark "SANATEC" until there is further clarification of the trademark infringement and cancellation issues. Accordingly, it is difficult to ascertain why Santana needs the cancellation order implemented immediately.

Additionally, as Defendants noted in their initial Rule 62 motion, the loss of federal trademark registration rights is significant. The United States Court of Appeals for the Fourth Circuit has described those rights as follows:

> . . . federal registration confers a number of benefits upon the owner of a mark not available at common law: (1) constructive notice of the registrant's claim of ownership of the trademark; (2) *prima facie* evidence of the validity of the registration, of the registrant's ownership of the mark, and of his exclusive right to use the registration in commerce as specified in the certificate; (3) the possibility that, after five years, registration will become incontestable and constitute conclusive evidence of the registrant's right to use the mark; (4) the right to request Customs officials to bar the importation of goods bearing infringing trademarks; (5) the right to institute trademark actions in federal courts without regard to diversity of citizenship or the amount in controversy; and (6) treble damage actions against infringing trademarks and other remedies.

Brittingham v. Jenkins, 914 F.2d 447, 452 (4th Cir. 1990).

Indeed, as noted in *Brittingham*, when the registration is cancelled, Defendants will not longer be able to rely upon the constructive notice to third parties of their claim of ownership of the trademark "SANATEC" by virtue of its registration. *See* 15 U.S.C. § 1072. Consequently, a

third-party "innocent user" could very well establish exclusive rights to the use of a similar trademark for related goods in a remote area of the country to the exclusion of Defendants, which rights would *not* be extinguished even if Defendants were to ultimately prevail on appeal. In this regard, Santana's argument that Defendants are not subject to any potential harm through implementation of the cancellation simply overlooks the potential and irreparable harm which Defendants are exposed to, for example, in relation to the innocent user issue.

Although Santana, claiming significant injury, fought so long and hard to obtain an order of cancellation of Defendants' trademark, in its Rule 62 opposition papers, it attempts to convince this Court that its February 2, 1993 cancellation Order does *not* significantly or substantively affect anyone. With respect, the cancellation order is either important or it is not.

As a district court, this Court understands that, in rendering substantive decisions, at least one of the parties is often dissatisfied with the decision and therefore desirous of having the decision reviewed on appeal before the judgment and its conjunctive consequences become final. Defendants seek nothing more than this opportunity through the subject motion. It may very well be that the United States Supreme Court will grant the writ in response to the petition which Defendants have filed following the Court of Appeals' refusal to substantively review the cancellation Order. If this occurs, then Defendants will receive, from the Court of Appeals, an immediate substantive review and determination regarding the propriety of this Court's summary judgment grant of the trademark cancellation. However, even if the Supreme Court, for whatever reason, refuses to grant the writ, the fact remains that no opportunity for substantive appellate review of the cancellation Order will have been made available to Defendants and, in the interim, Defendants will be subject

to the irreparable loss associated with the cancellation of its mark which has been in place since 1990.[3]

CONCLUSION

For the foregoing reasons, Defendants respectfully submit that a continuation of the Rule 62 stay of cancellation be granted. Indeed, given Defendants' voluntary decision to begin marketing under a different mark, until further review and disposition by the courts, there can be no claim of genuine harm to Santana. Furthermore, the loss of federal trademark registration rights for several months or years may very well not be subject to remedy and restoration to the status quo, assuming *arguendo* an appellate court agrees with Defendants that the cancellation should not have been granted at the summary judgment stage.

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[3] Although irrelevant to this case, Santana's brief raises the question of continued use by Defendants of the "SANATEC" mark in relation to its foodstuffs cutting boards. Defendants are taking steps at present to have the mark re-registered as relates to the cutting boards. However, the issue simply is irrelevant to the bathroom partition litigation at hand. Additionally, Santana suggests that Defendants could not legally recover damages if one infringed upon the "SANATEC" mark because Defendants have not used the symbol "® ".This is simply not a correct statement of the law. Damages are available against one who infringes with actual notice of the federal registration and hence cancellation would eliminate such a potential right to recovery.

Respectfully submitted,

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DATED: February 2, 1994